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**HF 644** – Renewable Energy Tax Credit, Commercial Heating (LSB2198HV)  
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Fiscal Note Version – As passed by the House

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**Description**

**House File 644** changes tax credit requirements for the existing Renewable Energy Tax Credit (Iowa Code chapter **476C**). Specifically, the Bill allows a facility to qualify for more than one version (electricity generation, commercial heat, methane or other biogas used to generate electricity, or hydrogen fuel) of the tax credit.

The change is effective on enactment and applies retroactively to tax year 2014 and after.

**Assumptions**

- Iowa Code section **476C.3**(4)(b) reserves 53.0 megawatts of electricity generation capacity for generation capacity that is not a wind energy conversion facility. The entire 53.0 megawatt limit is currently reserved for a total of 10 projects that are either currently operational or are expected to be operational in the next 20 months.
- Of those 10 projects, one project that produces methane gas to be used as a fuel to generate electricity also produces usable heat. This 5.1 megawatt facility is the only facility assumed to benefit from the change in this Bill.
- The annual heat production of the facility is projected to be 24,000 million British Thermal Units (MMBTU).
- The tax credit for qualified heat is \$4.50 per million BTU.
- Heat production of 24,000 MMBTU at \$4.50 per million BTU equals a \$108,000 tax credit per year. A facility is limited to 10 years of tax credits; however, the 10 years started with tax year 2013 for this facility, so only nine years of eligibility remain.
- Tax credit redemption timing will occur in a manner similar to other nonrefundable, but transferable tax credits.
- The tax credits are transferable but not refundable.
- The facility is organized as a Limited Liability Company (LLC). Therefore, the net tax reduction will be individual income tax.
- Nonrefundable tax credits that impact Iowa individual income tax liability also impact the local option income surtax for schools. A statewide average surtax of 3.5% of State income tax liability is used to calculate the projected surtax reduction.

**Fiscal Impact**

This change to the Renewable Energy Tax Credit will reduce net General Fund revenue and revenue raised by the local option income surtax for schools by the estimated amounts listed in the following table.

**Estimated  
State and Local Revenue Impact**

	State General Fund Reduction	Local Option Income Surtax Reduction
FY 2015	\$ 21,000	\$ 1,000
FY 2016	118,000	4,000
FY 2017	108,000	4,000
FY 2018	108,000	4,000
FY 2019	108,000	4,000
FY 2020	108,000	4,000
FY 2021	108,000	4,000
FY 2022	108,000	4,000
FY 2023	108,000	4,000
FY 2024	67,000	2,000
FY 2025	11,000	0
	<u>\$ 973,000</u>	<u>\$ 35,000</u>

**Sources**

Department of Revenue  
Iowa Utilities Board

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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